

How Much Life Insurance Do You Need?

Figuring out how much life insurance you need to carry can be confusing. It really depends on a few factors, and there are a few simple methods you can use to determine how much you should carry. At the most basic, there is a minimum amount of life insurance you should carry if you want those left behind to avoid a struggle. Beyond that, you really can't have too much insurance, so add more as you can afford it. But remember, the younger you are when you take out your policy, the more affordable it will be.

Who Will Be Left Behind?

Who will be left behind when you pass away is one of the biggest considerations as to how much life insurance you need. If you are married but have no children, and your spouse has a good source of income, you might not need as much insurance as someone who is the main breadwinner. Each child you add to the mix means more insurance you will need to ensure they are cared for if you are gone. You also need to consider whether you want to provide for college educations for your children or if you are simply aiming to meet their basic needs.

Your Annual Income

How much you make every year is a good starting point to determine how much your family will actually need to survive without you. If you are the sole earner in the family, then you know that your income is enough to keep the family at the current lifestyle they are used to. Many agents recommend that you provide at least 5 times your annual income in life insurance, which provides your family with approximately 5 years of income to recover and find a new source of funds.

Mortgage Protection Coverage

Will your family be able to pay the mortgage on your home after you are gone? If you don't want them to lose their home, providing enough life insurance to pay off the mortgage is a good idea. This is often recommended on top of the annual income you will provide to your family.

Life Insurance Calculators

There are a number of excellent life insurance calculators available online, and your insurance agent can also provide this service. With a small amount of information regarding your finances and income, these calculators make it easy to determine just how much insurance you should take out. Remember that while life insurance may seem like an unnecessary expense, your family's future may depend on it. Make sure you have enough so that you will be prepared for an unexpected tragedy.